

Message Text

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15

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6824

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USADB

TREASURY FOR FINKEL

E.O. 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN, TH

SUBJECT: BANGKOK WATER SUPPLY PROJECT

REF: (A) BANGKOK 10848; (B) TRSY JULY 16, 1973; (C) MANILA 7821

1. BOARD APPROVED BANGKOK WATER SUPPLY PROJECT AT JULY 24 MEETING.

2. PRIOR TO MEETING, USADB HAD EXTENSIVE DISCUSSIONS WITH BANK STAFF REGARDING MAJOR POINTS RAISED IN REFTTEL A ON LEAKAGE ESTIMATES AND PRICE ELASTICITY DEMAND FOR WATER. BOTH POINTS IMPORTANT, AS POINTED OUT IN REFTTEL A, TO APPROPRIATE SIZE OF BANGKOK WATER PROJECT. BANK CONFERRED WITH CAMP DRESSER & MCKEE BY CABLE PRIOR TO DISCUSSIONS WITH USADB. IN ADDITION, USADB FULLY EXPLORED ISSUE OF APPROPRIATE LEVEL OF CONSULTING SERVICES IN PART B OF PROJECT WITH BANK STAFF AS WELL AS WITH U.S. WATER RESOURCES ENGINEER

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EMPLOYEED BY BANK AS RESIDENT CONSULTANT.

3. REGARDING LEAKAGE ESTIMATES, PITOMETER ASSOCIATES OF NEW YORK BASED ESTIMATES ON RESULTS OF 18-MONTH SURVEY OF BANGKOK METROPOLITAN WATER SYSTEM ARRIVING AT AN AVERAGE LEAKAGE ESTIMATE OF 7 PERCENT. CONSULTANTS AND BANK, HOWEVER, USED 10 PERCENT FOR PLANNING PURPOSES. COMMENTING ON ESTIMATES, PITOMETER DREW ATTENTION TO CUSTOMARY DIRECT RELATIONSHIPS BETWEEN WATER PRESSURE IN SYSTEM AND PERCENT OF LEAKAGE, NOTING SPECIFICALLY THAT CURRENTLY, AND OVER THE PERIOD IN WHICH SURVEY CONDUCTED, PRESSURE IN BANGKOK WATER SYSTEM VERY LOW.

4. RELATIVELY HIGH PER CAPITA CONSUMPTION OF WATER IN BANGKOK RELATIVE TO OTHER ASIAN CITIES NATURALLY RAISES QUESTION CONCERNING ACCURACY OF WATER LEAKAGE ESTIMATES ESPECIALLY IN ABSENCE OF ANY EASILY QUANTIFIABLE REASON FOR RELATIVELY HIGH USAGE. HOWEVER, USADB PREPARED TO ACCEPT RATIONALE PROVIDED IN BANK DOCUMENT THAT THAIS CUSTOMARILY ENJOYED EASY AND READY ACCESS TO WATER AND DEVELOPED USAGE ACCORDINGLY. SINGAPORE AND MANILA, MENTIONED IN BANK DOCUMENT IN COMPARING RELATIVE USAGES, HAVE DIFFERENT, MORE CONSTRAINED EXPERIENCE WITH WATER AVAILABILITY. HENCE, HABITS CONDITIONED BY AVAILABILITY ALONE COULD ACCOUNT IN LARGE PART FOR RELATIVE DIFFERENCES AND USAGE.

5. PITOMETER WELL QUALIFIED AND HIGHLY RESPECTED FIRM IN ITS FIELD. BANK STAFF AND CAMP DRESSER & MCKEE BELIEVE THERE IS NO SOUND REASON TO SERIOUSLY CHALLENGE PITOMETER ESTIMATES. IN VIEW OF PITOMETER'S REPUTATION, POSITION OF BANK STAFF AND CAMP DRESSER & MCKEE ON ISSUE IN QUESTION, AND NO CONCRETE EVIDENCE CHALLENGING PITOMETER'S ESTIMATES, USADB PREPARED TO ACCEPT ESTIMATES AS BEING REASONABLY ACCURATE.

6. USADB THOROUGHLY DISCUSSED ISSUE OF PRICE ELASTICITY OF DEMAND FOR WATER WITH BANK STAFF AND, THROUGH BANK, WITH CAMP DRESSER MCKEE IN BANGKOK. RESULTS OF NEW TARIFF STRUCTURE, WHICH WENT INTO EFFECT JULY 1, 1972, INDICATE RELATIVE INSENSITIVITY TO UPWARD PRICE ADJUSTMENTS. BANK AND CONSULTANTS FEEL THAT RESULT EXPLAINED IN LARGE PART BY FACT THAT MAJOR USERS, SUCH AS HOTELS AND BREWERIES, MUST HAVE WATER FOR CONTINUED SUCCESSFUL OPERATIONS AND ARE, THEREFORE, QUITE INSENSITIVE TO PRICE CHANGES WHICH CAN, IN WHOLE OR IN PART, BE PASSED ON TO LIMITED OFFICIAL USE

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FINAL USER. FURTHER, NEW TARIFF STRUCTURE, ACTUALLY REPRESENTS DECREASE ON AVERAGE FOR MAJORITY OF SMALL INDIVIDUAL CONSUMER WHOSE CUSTOMARY CONSUMPTION FALLS BETWEEN 6 AND 12 CUBIC METERS PER MONTH. IN BANGKOK PROPER, FOR EXAMPLE, RATES ON WATER UP TO 12 CUBIC METERS PER MONTH REMAIN UNCHANGED. IN THONBURI WITH 1.1 MILLION PEOPLE AND IN OTHER TWO SUBURBS COVERED BY PROJECT, NONTHABURI AND SAMUT PRAKAN WITH AN ADDITIONAL 700,000 PEOPLE, RATES ACTUALLY FELL ON WATER CONSUMPTION UP TO 50 CUBIC

METERS PER MONTH. HENCE, EVERY REASON TO BELIEVE THAT NEW TARIFF STRUCTURE PER SE WILL HAVE LITTLE ADVERSE EFFECT ON WATER CONSUMPTION AND, CONSEQUENTLY, ON PROJECTED REVENUES.

7. AS BANK AND CONSULTANT POINT OUT MAJOR PROBLEM IS ONE OF METERING AND BILLING, SINCE 60 PERCENT OF ALL METERS ARE FAULTY AND BILLING/COLLECTION PROCEDURES POOR. PART B OF PROJECT PROVIDES FOR REPLACEMENT OF FAULTY METERS AND MWWA HAS RETAINED BOOZ, ALLEN AND HAMILTON FOR ADDITIONAL 27 MONTHS TO PROVIDE ASSISTANCE IN, AMONG OTHERS, FIELD OF BILLING AND COLLECTION PROCEDURES. PROJECTED IMPROVEMENTS IN THAT AREA, WHICH ARE IMPORTANT TO THE REVENUE PROJECTIONS OF THE PROJECT, ARE QUITE MOEST AND SHOULD REASONABLY BE ACHIEVED, ESPECIALLY IN LIGHT OF PROVISION OF ADDITIONAL METERS UNDER PART B AND RETENTION OF BOOZ, ALLEN AND HAMILTON.

8. ADB STAFF AND CONSULTANTS ASSURE USADB THAT PLANS FOR ADDITIONAL 50 HIGH CAPACITY WALLS NECESSARY ASPECT OF PROJECT. PROVISION OF ADDITIONAL WELLS IS NOT ADDRESSED TO LONGER RANGE PROBLEMS BUT RATHER FOCUSES ON SHORTER RANGE PROBLEMS OF MAINTAINING WATER SUPPLY FROM BANGKOK WELLS UNTIL PROJECT REACHES FRUITION. CRUCIAL POINT REGARDING WELLS IS WHETHER LEAKAGE ESTIMATES ARE FAIRLY ACCURATE, AND WHETHER ADDITIONAL WATER NEEDS COULD BE MET BY SIGNIFICANTLY REDUCING LEAKAGE. ON THIS MATTER, BANK AND CONSULTANTS REFER AGAIN TO POSITIONS TAKEN IN PARAS 3, 4, AND 5 ABOVE IN WHICH USADB CONCURS.

9. USADB FULLY SATISFIED THAT ENGINEERING SERVICES PROVIDED UNDER PART B NOT EXCESSIVE. ADB STAFF FEELS VERY STRONGLY ON THIS POINT AND U.S. WATER RESOURCES ENGINEER EMPLOYED AS RESIDENT CONSULTANT AT BANK SUPPORTS THIS POSITION FULLY.

10. ABOVE COMMENTS ATTEMPT TO ADDRESS MOST ISSUES RAISED
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IN REFTEL A, INCLUDING MATTERS IN PARAS THREE AND FOUR OF REFTEL A EMPHASIZED IN REFTEL B. USADB SATISFIED THAT ENGINEERING SERVICES PROVIDED UNDER PART B REASONABLE. FURTHERMORE, USADB PREPARED TO ACCEPT PITOMETER ESTIMATES ON LEAKAGE, ESPECIALLY IN VIEW OF FACT THAT PITOMETER IS ACKNOWLEDGED EXPERT IN FIELD, CONDUCTED SURVEY OVER 18-MONTH PERIOD, AND IS SUPPORTED IN ITS FINDINGS BY CAMP DRESSER AND MCKEE AND ADB STAFF KNOWLEDGEABLE IN THAT AREA.
HAMILTON

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